



## *Report to the Auburn City Council*

Action Item
Agenda Item No. <b>3</b>
City Manager's Approval

**To:** Honorable Mayor and City Council Members  
**From:** Andy Heath, Administrative Services Director  
**Date:** July 11, 2011  
**Subject:** Citywide Audit and Financial Statement Preparation – Fiscal Year Ended June 30, 2011

### *The Issue*

Shall the City Council approve the execution of an agreement with Smith & Newell, CPA's to conduct an audit and prepare financial statements for the City of Auburn?

### *Conclusions and Recommendations*

By RESOLUTION authorize the City Manager or his designee to execute an agreement with Smith & Newell, CPA's to conduct an audit and prepare financial statements for the City of Auburn as of and for the year ended June 30, 2011 in an amount not to exceed \$42,023.

### *Background*

Subsequent to the end of each fiscal year, an audit of the City's financial position is conducted and financial statements prepared by an external audit firm. The external auditor's primary responsibility is to express an opinion on the financial statements prepared based on the audit performed. Completion of an audit and accompanying financial statements is necessary to provide Auburn's citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives.

For the past five years, Gallina, LLP has performed the auditing services for the City of Auburn. During these five years, Gallina, LLP has helped the City transform the manner by which audits are conducted and financial information is presented, ultimately leading to five consecutive Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officer's Association (GFOA).

**Analysis**

As a means to assure the City continues to receive the highest degree of independence in auditing and reporting, a Request for Proposals (RFP) for Professional Auditing Services was issued on May 4, 2011 seeking competitive responses from interested firms. The City received four formal proposals in response to the request. The four respondent firms included

1. Gallina, LLP, Roseville, CA
2. Reznick Group, Sacramento, CA
3. JJACPA, Pleasanton, CA
4. Smith & Newell, CPA's, Yuba City, CA

Each proposal submitted was evaluated by the both the City Treasurer and Administrative Services Director based on the following:

- Responsiveness of the proposal in clearly stating and understanding of the work to be performed;
- Technical expertise of the firm and reference responses;
- Qualifications of staff (education, years with firm, years of experience); and
- Size and structure of firm and other considerations.

Subsequent to the initial review of the proposals, consideration was given to the overall pricing structure submitted with each firm's cost proposal. Overall results are as follows:

	<b>Resnick</b>	<b>Gallina</b>	<b>Smith &amp; Newell</b>	<b>JJACPA</b>
<b>Average Score (out of 100)</b>	76.5	95.5	92	86
<b>First Year Overall Cost</b>	\$45,000	\$45,600	\$42,023	\$32,900

Based upon the overall evaluation of all proposals, both the City Treasurer and Administrative Services Director recommend that Smith & Newell, CPA's be awarded the Auditing Services contract for the fiscal year ended June 30, 2011. Smith & Newell, CPA's response and reference checks possess all of the following attributes which distinguishes their proposal from those not recommended:

- A change in audit firms allows the City to retain a high degree of independence in auditing and financial reporting;
- The firm is well staffed to handle audit and financial statement preparation responsibilities on a continuous basis;
- Reference checks indicate firms ability to produce timely Comprehensive Annual Financial Reports (CAFRs);
- All members of the proposed audit team possess a Certified Public Accountant (CPA) certificate;
- The firm has been operating for 23 years;

- The firm has extensive experience with California cities, counties and special districts; and has prepared Comprehensive Annual Financial Reports (CAFRs);

### **Smith & Newell, CPA's**

Based on the initial evaluation of the proposals, Smith & Newell, CPA's, best demonstrated an ability to meet the City's requirements as they relate to audit and financial statement preparation services for the 2010-11 fiscal year. Smith & Newell, CPA's has a vast array of public sector experience, including conducting audits and preparing financial statements for the Cities of Yuba City, Grass Valley, Nevada City and Town of Truckee. Smith & Newell, CPA's also has experience auditing Redevelopment Agencies, including Lake County Redevelopment Agency and City of Yuba City Redevelopment Agency.

Reference calls to the City of Yuba City and County of Lake suggested that Smith & Newell's staff is very competent and that the firm tends to provide clients with recommendations ultimately leading to better financial management and increased internal control. The technical qualifications of this firm satisfy the City's financial audit needs while allowing the welcome opportunity to introduce new auditors as a basis for maintaining a policy of strong independent financial review.

Smith & Newell's proposed contract price of \$42,023, although not the lowest cost bid submitted, is the second lowest cost bid and well within the average price range of the four proposals received. Based upon the responses and references checks, Smith & Newell is best able to provide the City with a high level of independence, expertise, experience and continuity as it relates to auditing and financial reporting.

### **Alternatives Available to Council; Implications of Alternatives**

1. Adopt a resolution to execute an agreement with Smith & Newell, CPA's in an amount not to exceed \$42,023 to conduct an audit and prepare the City's Comprehensive Annual Financial Report (CAFR) for fiscal year 2010-11.
2. Do not use Smith & Newell, CPA's, and reissue the Request for Proposals for Professional Auditing Services (note: The State of California requires an annual audit of the City's finances).

### **Fiscal Impact**

An expenditure appropriation of \$45,000 for audit services has been considered as part of the Finance Department's base budget for fiscal year 2011-12. The proposed agreement between the City and Smith & Newell, CPA's has a provision for conducting auditing and related services for two additional years, fiscal years 2011-12 and 2012-13, at a cost not-to-exceed of \$43,259 and \$44,495, respectively.

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RESOLUTION NO. 11-  
RESOLUTION AUTHORIZING EXECUTION OF AN AGREEMENT WITH SMITH &  
NEWELL, CPA'S, INC. TO CONDUCT AUDITING & FINANCIAL STATEMENT  
PREPARATION SERVICES

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THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:  
That the City Council of the City of Auburn does hereby authorize the  
City Manager or his designee to execute an agreement with Smith & Newell,  
CPA's, to conduct an audit and prepare financial statements for the City of  
Auburn as of an for the year ended June 30, 2011 in an amount not to exceed  
\$42,023.00.  
DATED: July 11, 2011

\_\_\_\_\_  
William W. Kirby, MD, Mayor

ATTEST:  
  
\_\_\_\_\_  
Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify  
that the foregoing resolution was duly passed at a regular meeting of the City  
Council of the City of Auburn held on the 11<sup>th</sup> day of July 2011 by the  
following vote on roll call:

Ayes:  
Noes:  
Absent:

\_\_\_\_\_  
Joseph G. R. Labrie, City Clerk

**PROFESSIONAL SERVICES AGREEMENT**  
(City of Auburn / Smith & Newell, CPA's)

**1. IDENTIFICATION**

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between the City of Auburn, a California municipal corporation ("City") and Smith & Newell, CPA's, a State of California partnership ("Consultant").

**2. RECITALS**

- 2.1 City has determined that it requires the following professional services from a consultant: Performance of the financial and compliance audits for the year ended June 30, 2011 (as specifically described in Exhibit A – Scope of Services) with the option for two additional subsequent years.
- 2.2 Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.

**NOW, THEREFORE,** for and in consideration of the mutual covenants and conditions herein contained, City and Consultant agree as follows:

**3. DEFINITIONS**

- 3.1 "Scope of Services": Such professional services as are set forth in Consultant's May 27, 2011 Proposal for Audit Services proposal to City attached hereto as Exhibit A and incorporated herein by this reference.
- 3.2 "Approved Fee Schedule": Such compensation rates as are set forth in Consultant's May 27, 2011 Proposal for Audit Services Sealed Dollar Cost Bid to City attached hereto as Exhibit B and incorporated herein by this reference.
- 3.3 "Commencement Date": July 11, 2011.
- 3.4 "Expiration Date": March 31, 2012.

**4. TERM**

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Expiration Date unless extended by written agreement of the parties or terminated earlier in accordance with Section 17 ("Termination") below.

**5. CONSULTANT'S SERVICES**

- 5.1 Consultant shall perform the services identified in the Scope of Services. City shall have the right to request, in writing, changes in the Scope of Services. Any such changes mutually agreed upon by the parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement. In no event shall the total compensation and costs payable to Consultant under this Agreement exceed the sum of Forty Two Thousand Twenty Three Dollars (\$42,023.00) unless specifically approved in advance and in writing by City.
- 5.2 Consultant shall obtain a City business license prior to commencing performance under this Agreement.
- 5.3 Consultant shall perform all work to the highest professional standards of Consultant's profession and in a manner reasonably satisfactory to City. Consultant shall comply with all applicable federal, state and local laws and regulations, including the conflict of interest provisions of Government Code Section 1090 and the Political Reform Act (Government Code Section 81000 *et seq.*).
- 5.4 During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if both (i) such work would require Consultant to abstain from a decision under this Agreement pursuant to a conflict of interest statute and (ii) City has not consented in writing to Consultant's performance of such work.
- 5.5 Consultant represents that it has, or will secure at its own expense, all personnel required to perform the services identified in the Scope of Services. All such services shall be performed by Consultant or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. Brad Constantine, CPA, shall be Consultant's project administrator and shall have direct responsibility for management of Consultant's performance under this Agreement. No change shall be made in Consultant's project administrator without City's prior written consent.

**6. COMPENSATION**

- 6.1 City agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept in full satisfaction for such services, payment in accordance with the Approved Fee Schedule.
- 6.2 Consultant shall submit to City an invoice, on a monthly basis or less frequently, for the services performed pursuant to this Agreement. Each invoice shall itemize

the services rendered during the billing period and the amount due. City shall not withhold applicable taxes or other authorized deductions from payments made to Consultant.

- 6.3 Payments for any services requested by City and not included in the Scope of Services shall be made to Consultant by City on a time-and-materials basis using Consultant's standard fee schedule. Consultant shall be entitled to increase the fees in this fee schedule at such time as it increases its fees for its clients generally; provided, however, in no event shall Consultant be entitled to increase fees for services rendered before the thirtieth day after Consultant notifies City in writing of an increase in that fee schedule.

**7. OWNERSHIP OF WRITTEN PRODUCTS**

All reports, documents or other written material ("written products" herein) developed by Consultant in the performance of this Agreement shall be and remain the property of City without restriction or limitation upon its use or dissemination by City. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

**8. RELATIONSHIP OF PARTIES**

Consultant is, and shall at all times remain as to City, a wholly independent contractor. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise to act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not represent that it is, or that any of its agents or employees are, in any manner employees of City.

**9. CONFIDENTIALITY**

All data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without prior written consent by City. City shall grant such consent if disclosure is legally required. Upon request, all City data shall be returned to City upon the termination or expiration of this Agreement.

**10. INDEMNIFICATION**

- 10.1 The parties agree that City, its officers, agents, employees and volunteers should, to the fullest extent permitted by law, be protected from any and all loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended

by the parties to be interpreted and construed to provide the City with the fullest protection possible under the law. Consultant acknowledges that City would not enter into this Agreement in the absence of Consultant's commitment to indemnify and protect City as set forth herein.

- 10.2 To the fullest extent permitted by law, Consultant shall indemnify, hold harmless and defend City, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of Consultant or any of its officers, employees, servants, agents, or subcontractors in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees incurred by counsel of City's choice.
- 10.3 City shall have the right to offset against any compensation due Consultant under this Agreement any amount due City from Consultant as a result of Consultant's failure to pay City promptly any indemnification arising under this Section 10 and any amount due City from Consultant arising from Consultant's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.
- 10.4 The obligations of Consultant under this Section 10 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to City, its officers, agents, employees and volunteers.
- 10.5 Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 10 from each and every subcontractor or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement. In the event Consultant fails to obtain such indemnity obligations from others as required herein, Consultant agrees to be fully responsible and indemnify, hold harmless and defend City, its officers, agents, employees and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of Consultant's subcontractors or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees incurred by counsel of City's choice.
- 10.6 City does not, and shall not, waive any rights that it may possess against Consultant because of the acceptance by City, or the deposit with City, of any insurance policy or certificate required pursuant to this Agreement. This hold harmless and indemnification provision shall apply regardless of whether or not



any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

**11. INSURANCE**

- 11.1 During the term of this Agreement, Consultant shall carry, maintain, and keep in full force and effect insurance against claims for death or injuries to persons or damages to property that may arise from or in connection with Consultant's performance of this Agreement. Such insurance shall be of the types and in the amounts as set forth below:
  - 11.1.1 Comprehensive General Liability Insurance with coverage limits of not less than One Million Dollars (\$1,000,000) including products and operations hazard, contractual insurance, broad form property damage, independent consultants, personal injury, underground hazard, and explosion and collapse hazard where applicable.
  - 11.1.2 Automobile Liability Insurance for vehicles used in connection with the performance of this Agreement with minimum limits of One Million Dollars (\$1,000,000) per claimant and One Million dollars (\$1,000,000) per incident.
  - 11.1.3 Worker's Compensation insurance as required by the laws of the State of California.
  - 11.1.4 Professional Errors and Omissions Insurance with coverage limits of not less than One Million Dollars (\$1,000,000).
- 11.2 Consultant shall require each of its subcontractors to maintain insurance coverage that meets all of the requirements of this Agreement.
- 11.3 The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least A:VII in the latest edition of Best's Insurance Guide.
- 11.4 Consultant agrees that if it does not keep the aforesaid insurance in full force and effect, City may either (i) immediately terminate this Agreement; or (ii) take out the necessary insurance and pay the premium thereon at Consultant's expense.
- 11.5 At all times during the term of this Agreement, Consultant shall maintain on file with City's Risk Manager a certificate or certificates of insurance showing that the aforesaid policies are in effect in the required amounts and naming the City and its officers, employees, agents and volunteers as additional insureds.

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Consultant shall, prior to commencement of work under this Agreement, file with City's Risk Manager such certificate(s).

- 11.6 Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages.
- 11.7 The general liability and automobile policies of insurance required by this Agreement shall contain an endorsement naming City and its officers, employees, agents and volunteers as additional insureds. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty days' prior written notice to City. Consultant agrees to require its insurer to modify the certificates of insurance to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the word "endeavor" with regard to any notice provisions.
- 11.8 The insurance provided by Consultant shall be primary to any coverage available to City. Any insurance or self-insurance maintained by City and/or its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.
- 11.9 All insurance coverage provided pursuant to this Agreement shall not prohibit Consultant, and Consultant's employees, agents or subcontractors, from waiving the right of subrogation prior to a loss. Consultant hereby waives all rights of subrogation against the City.
- 11.10 Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of City, Consultant shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Consultant shall procure a bond in the amount of the deductible or self-insured retention to guarantee payment of losses and expenses.
- 11.11 Procurement of insurance by Consultant shall not be construed as a limitation of Consultant's liability or as full performance of Consultant's duties to indemnify, hold harmless and defend under Section 10 of this Agreement.

**12. MUTUAL COOPERATION**

- 12.1 City shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant's services under this Agreement.

- 12.2 In the event any claim or action is brought against City relating to Consultant's performance in connection with this Agreement, Consultant shall render any reasonable assistance that City may require in the defense of that claim or action.

**13. RECORDS AND INSPECTIONS**

Consultant shall maintain full and accurate records with respect to all matters covered under this Agreement for a period of seven years after the expiration or termination of this Agreement. City shall have the right to access and examine such records, without charge, during normal business hours. City shall further have the right to audit such records, to make transcripts therefrom and to inspect all program data, documents, proceedings, and activities.

**14. PERMITS AND APPROVALS**

Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses, encroachment permits and building and safety permits and inspections.

**15. NOTICES**

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, facsimile or overnight courier service during Consultant's and City's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to City

City of Auburn  
c/o Andy Heath, Administrative Services  
Director  
1225 Lincoln Way  
Auburn CA 95603  
Telephone: (530) 823-4211 x110  
Facsimile: (530) 823-4209  
With courtesy copy to:

Michael G. Colantuono, Esq.  
Auburn City Attorney  
Colantuono & Levin, PC  
11364 Pleasant Valley Road  
Penn Valley, CA 95946-9000

If to Consultant:

Smith & Newell, CPA's  
c/o Marilee Smith  
1425 Butte House Rd, Ste B  
Yuba City, CA 95993  
Telephone: (530) 673-9790

Telephone: (530) 432-7359  
Facsimile: (530) 432-7356

**16. SURVIVING COVENANTS**

The parties agree that the covenants contained in Section 9, Section 10, Paragraph 12.2 and Section 13 of this Agreement shall survive the expiration or termination of this Agreement.

**17. TERMINATION**

17.1. City shall have the right to terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant shall have the right to terminate this Agreement for any reason on thirty calendar days' written notice to City. Consultant agrees to cease all work under this Agreement on or before the effective date of any notice of termination. All City data, documents, objects, materials or other tangible things shall be returned to City upon the termination or expiration of this Agreement.

17.2 If City terminates this Agreement due to no fault or failure of performance by Consultant, then Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement.

**18. GENERAL PROVISIONS**

18.1 Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without City's prior written consent, and any attempt to do so shall be void and of no effect. City shall not be obligated or liable under this Agreement to any party other than Consultant.

18.2 In the performance of this Agreement, Consultant shall not discriminate against any employee, subcontractor, or applicant for employment because of race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, physical or mental disability, medical condition or any other unlawful basis.

18.3 The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the section or paragraph thereof, as the case may be, and not such heading, shall control and govern in the construction of this Agreement. Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

- 18.4 The waiver by City or Consultant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by City or Consultant unless in writing.
- 18.5 Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in City's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.
- 18.6 Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any of all of such other rights, powers or remedies. In the event legal action shall be necessary to enforce any term, covenant or condition herein contained, the party prevailing in such action, whether reduced to judgment or not, shall be entitled to its reasonable court costs, including accountants' fees, if any, and attorneys' fees expended in such action. The venue for any litigation shall be Placer County, California and Consultant hereby consents to jurisdiction in Placer County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.
- 18.7 If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to, the extent necessary to cure such invalidity or unenforceability, and in its amended form shall be enforceable. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
- 18.8 This Agreement shall be governed and construed in accordance with the laws of the State of California.
- 18.9 All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the express provisions of this Agreement and the provisions of any document incorporated herein by reference, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between City and Consultant with

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City of Auburn / Smith & Newell, CPA's**

respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed by City and Consultant.

**TO EFFECTUATE THIS AGREEMENT**, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

**“City”  
City of Auburn**

**“Consultant”  
Smith & Newell, CPA's**

By \_\_\_\_\_  
Robert Richardson, City Manager

By: \_\_\_\_\_  
Marilee Smith, Partner

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Attest:

By \_\_\_\_\_  
Amy Lind, Deputy City Clerk

Date: \_\_\_\_\_

## EXHIBIT A SCOPE OF WORK

Smith & Newell, CPA's will perform the scope of work identified in both the City's May 4, 2011 Request for Proposals for Professional Auditing Services and Consultant's May 27, 2011 response to said proposal. The scope of work is to include, at a minimum:

1. An audit of the General Purpose Financial Statements of the City of Auburn and the Auburn Urban Development Authority for the fiscal years' ended June 30, 2011, June 30, 2012 and June 30, 2013 (later two years subject to City's exercise of option to perform services for each year) in conformity with generally accepted accounting principles and issuance of the following reports:
  - A report of the fair presentation of the City's financial statements in accordance with accounting principles generally accepted in the United States;
  - A report on the City's internal control over financial reporting and tests of compliance with laws, regulations, contracts and grant agreement and any other matters deemed necessary and material;
  - A report on the fair presentation of the financial statements in conformity with GAAP, including an opinion on the fair presentation of the supplementary schedule of federal awards "in relation to" the audited financial statements;
  - A report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Governmental Auditing Standards;
  - A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133;
  - Separate auditor's reports for the City of Auburn Urban Development Authority;
  - A report on the City's compliance with Proposition 111, Article XIII B of the California State Constitution;
  - A management letter setting forth recommendations (as applicable) for improvements in the City's accounting practice
2. Consultant recognizes that the City will prepare a Comprehensive Annual Financial Report (CAFR), and will assist the City in formatting the CAFR to meet requirements consistent with requirements set forth by the Government Finance Officers Association (GFOA) CAFR Certification Program.
3. Consultant will compile, print and bind all financial statements and relevant documents required and presented as part of the CAFR.

## EXHIBIT B APPROVED FEE SCHEDULE

Smith & Newell, CPA's will be compensated for the work performed as outlined in Exhibit A – Scope of Services consistent with the Sealed Dollar Cost Bid Proposal ("Cost Proposal") submitted by Consultant to the City on May 27, 2011.

Consultant agrees that the fees outlined in the Cost Proposal will be the maximum fees charged for the audit services rendered, and preparation and submission of the final audit reports. Consultant will not charge for out-of pocket expenses such as travel, transportation, or per diem associated with the engagement. The fees quoted in the Cost Proposal are the total that the City will be billed for audit services regardless of the actual time incurred, unless the City and Consultant mutually agree to and approve changes to the Scope of Services.

Total maximum compensation for services rendered pursuant to this agreement is not to exceed:

Fiscal Year 2010-11 Audit: \$42,023  
Fiscal Year 2011-12 Audit: \$43,259 (Upon exercise of option to extend contract)  
Fiscal Year 2012-13 Audit: \$44,495 (Upon exercise of option to extend contract)